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January 10, 2000

VIA HAND DELIVERY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
Room TW-B-204  
445 12th Street, S.W.  
Washington, D.C. 20554

00-4  
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JAN 10 2000

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Authority to Provide In-Region InterLATA Services in Texas

Dear Ms. Salas:

Pursuant to the Commission's filing requirements for Bell company applications under section 271 of the Communications Act, the following are being provided with this letter:

- One original and one copy of a redacted Application (in paper form). The Application includes a Brief in support of the Application, and supporting documentation.
- One CD-ROM set containing the supporting documentation in the redacted, public Application.
- One copy of the Brief on diskette.
- Five additional copies of the redacted Application (partly in paper form and partly on CD-ROM), so that each Commissioner may have a copy.

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KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.

- One original of only the portions of the Application that contain confidential information (in paper form). A copy of this letter will also accompany that version of the Application. Some of the material we are submitting includes confidential information relating to Southwestern Bell's wholesale and resale operations in Texas, as well as other information containing trade secrets. None of this information is disclosed to the public and disclosure would cause substantial harm to the competitive position of Southwestern Bell. As such, we are requesting that these portions of the Application receive confidential treatment by the Commission.

Please date-stamp the extra copies of this letter and return it to the individual delivering this package.

We are also submitting under separate cover copies (redacted as appropriate) of the Application to Janice Myles, Policy and Program Planning Division, Common Carrier Bureau, Federal Communications Commission, Room 5-C-327, 455 12th Street, S.W., Washington, D.C. 20554. Redacted copies are also being submitted to the Department of Justice, to the Texas Public Utility Commission, and to ITS (the Commission's copy contractor).

All inquiries relating to access (subject to the terms of any applicable order) to any confidential information submitted by Southwestern Bell in support of this Application should be addressed to:

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Should you have any questions, please call me at (202) 326-7907. Thank you for your assistance in this matter.

Sincerely,



Austin C. Schlick

Enc.

**REDACTED - For Public Inspection**

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of

Application by SBC Communications Inc.,  
Southwestern Bell Telephone Company, and  
Southwestern Bell Communications Services,  
Inc. d/b/a Southwestern Bell Long Distance  
for Provision of In-Region, InterLATA  
Services in Texas

CC Docket No. \_\_\_\_\_

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**JAN 10 2000**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

To: The Commission

**BRIEF IN SUPPORT OF APPLICATION BY SOUTHWESTERN BELL  
FOR PROVISION OF IN-REGION, INTERLATA SERVICES IN TEXAS**

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January 10, 2000

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## **EXECUTIVE SUMMARY**

This Application represents the culmination of nearly four years of collaborative work by Southwestern Bell, the Texas Public Utility Commission ("Texas PUC"), the United States Department of Justice ("DOJ"), and dozens of local carriers, to establish the framework for full local telephone competition in Texas. The Texas PUC unanimously confirmed after nearly two years of review that Southwestern Bell has satisfied every prerequisite for interLATA entry in Texas. In particular, the state commission determined "that the Texas local market is open to competition and that competitors have a meaningful opportunity to compete in that market." Dec. 16, 1999 Open Meeting Tr. at 67-68 (Chairman Wood).

This Brief and the accompanying 185,000 pages of supporting materials document in detail every aspect of SBC's compliance with the requirements of section 271. Every checklist item, every structural requirement, every significant detail of available interconnection agreements, and every aspect of the requisite public interest showing is covered at length. It is easy to get lost in the details. At the outset, therefore, it is worth stepping back and looking at the broader picture of how local competition is developing in Texas, and why it is time for Texas consumers to benefit from open competition in long distance services as well.

It takes only a few basic facts to show that local markets in Texas are irreversibly open, and not just as a theoretical matter. Competitive local exchange carriers ("CLECs") have demonstrated their ability to compete with Southwestern Bell Telephone Company ("SWBT"). CLECs serve more than 1.4 million local lines in SWBT's Texas service areas – about 12 percent of all lines. At least 48 CLECs are providing facilities-based local service. Well over one hundred carriers resell SWBT's local service. These competing carriers operate across the State; indeed, they have won customers in 299 of SWBT's 300 local calling areas. This is likely

just the beginning of CLECs' entry. As the Texas PUC found, "it's just up to competitors now to . . . come in." Dec. 16, 1999 Open Meeting Tr. at 67-68 (Comm'r Walsh).

Most CLECs have chosen to target the profitable business segment of the local market. CLECs serve approximately 22 percent of all business lines in SWBT's service areas, generally by using their own network facilities. Their market share is expanding rapidly: *Since April 1998, CLECs have captured more than 4 of every 5 new business lines in SWBT's service areas.*

To provide residential services, CLECs have available the very same SWBT systems, services, and facilities they are using to win business lines. Although the CLECs generally have focused on business customers, they nevertheless have captured nearly a quarter of a million residential lines in SWBT's Texas service areas. CLECs serve 3 to 6 percent of all residential lines in each of the Austin, Corpus Christi, Dallas/Fort Worth, and Houston markets. More than 73,000 of these residential lines are served over the CLECs' own network facilities.

To help CLECs win and serve their customers, SWBT is providing every item on section 271's 14-point competitive checklist. In many cases, the checklist items have been used tens of thousands of times throughout Texas, as Attachment 1 to this Brief shows. SWBT has provisioned more than 166,000 unbundled local loops in Texas. It has furnished CLECs more than 125,000 "UNE Platforms," which consist of a local loop pre-assembled with the necessary switching facilities. SWBT has installed nearly 348,000 interconnection trunks to send and receive calls to and from CLEC customers. These trunks carry about a half-billion minutes of local traffic between the SWBT and CLEC networks every month, as well as huge amounts of Internet traffic. Former SWBT customers have taken more than 448,000 SWBT telephone

numbers with them to CLECs. Southwestern Bell's provisioning of facilities and services to other local carriers and their customers, at commercial volumes, is routine.

To order these items and deliver their service-related requests, CLECs in Texas can choose from the widest and best selection of electronic (or manual) operations support systems ("OSS") in the industry. These include industry-standard systems; customized systems that have not been required by regulators or industry standards bodies, but are offered to fit particular CLECs' business plans; and systems used by SWBT's own retail representatives. SWBT's OSS have met other carriers' needs by processing 3.7 million CLEC orders specifically for Texas.

Despite this extensive commercial experience, the Texas PUC subjected SWBT's systems, processes, and procedures to a third-party test. All the tested systems except one were already in commercial use; the one exception is now in commercial use as well. Nevertheless, the Texas PUC selected an independent technical expert, Telcordia, to assess the readiness and capabilities of SWBT's systems for serving CLECs, as well as the accuracy of SWBT's monthly reports on its performance. To make the test as realistic as possible, SWBT received "blind" service requests from actual CLEC systems, at volumes that substantially exceed predictions for the first quarter of 2000. After nearly a year of cooperative planning and testing, with the participation of AT&T, MCI WorldCom, and other CLECs at every stage, Telcordia and the Texas PUC found that SWBT's systems provide CLECs nondiscriminatory access and can handle foreseeable CLEC demand.

This Application reflects a similar "belt and suspenders" approach to numerous issues. For example, SWBT demonstrates in multiple ways that it provides nondiscriminatory access to local loops for CLECs' advanced services, such as xDSL services. Telcordia reviewed SWBT's offerings, and they passed every test. The Texas PUC subsequently conducted its own review,

including an examination of SWBT's monthly performance data, and itself confirmed that SWBT's offerings of xDSL-capable loops are nondiscriminatory. Beyond this, SBC has established a structurally separate affiliate that will provide advanced services in Texas using the same facilities and services available to CLECs. This separate affiliate is assuming service responsibilities from SWBT even more quickly than the Commission has required. Finally, SWBT offers CLECs a 50-percent discount on unbundled local loops used to provide data services to customers of SWBT voice-grade services. This effectively gives CLECs the benefits of "line sharing," well before that arrangement is required. The Commission has held in another proceeding that the separate advanced services affiliate and special loop discounts both ensure competing advanced service providers nondiscriminatory treatment.

To give another example, SWBT promotes local residential competition in Texas by providing CLECs unbundled local loops for residential customers, and end-to-end residential services for resale, at prices that are as much as 50 percent below the charges that would apply under statutory pricing rules.

The openness of Texas markets is verifiable, on an ongoing basis, through the Texas PUC's performance monitoring program. SWBT provides monthly reports on approximately 1,900 aspects of its wholesale service. SWBT tests its performance against Texas PUC-approved standards and pays affected CLECs and the Texas State Treasury when it fails to meet those standards. Better than 90 percent of the available results show satisfactory, or better-than-required, service for CLECs in at least two of the last three months. As summarized in Attachment 2 to this Brief, the performance results also confirm that local markets in Texas are at least as open to competitors as local markets in New York, where Bell Atlantic has received long distance relief.

SWBT's incentive to continue providing this high level of service is unequivocal. In the event of deficient performance, SWBT's payments could be as much as \$289 million per year under the Texas PUC's performance plan, while payments under a parallel federal plan could exceed \$1 billion over three years. Such enormous liability, together with this Commission's powers to rescind or limit interLATA authority or otherwise impose penalties for violations of legal duties, make "backsliding" after Southwestern Bell enters the interLATA market in Texas inconceivable. SWBT also has another overwhelming incentive to fulfill all the obligations described in this Application, as its performance in Texas will be subject to repeated review when SBC seeks section 271 relief in the remaining 11 in-region states that require it.

Virtually everyone – regulators, legislators, carriers, and economists alike – agrees that Southwestern Bell's entry into in-region, interLATA services will spur additional competition in Texas, particularly to serve lower-volume, residential callers. Economists calculate that the average Texas consumer will benefit by about \$38 per year if Southwestern Bell offers in Texas the interLATA rates it has proposed elsewhere. Based on conservative assumptions, immediate interLATA entry by Southwestern Bell in Texas would result in the creation of 60,000 additional jobs and an increase of \$7.6 billion in the Texas gross state product by the year 2007. Approval of this Application will benefit Texas and Texans, not just Southwestern Bell.

Southwestern Bell, the Texas PUC, and CLECs have worked together to create some of the most competitive local telecommunications markets in the country. Indeed, the Texas PUC commended SWBT for its "A-plus performance" in this collaborative endeavor. Dec. 16, 1999 Open Meeting Tr. at 63 (Comm'r Perlman). This Commission should now do its part and open the long distance market in Texas to the same, free competition.



## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	i
DISCUSSION .....	9
I. SOUTHWESTERN BELL IS ELIGIBLE TO SEEK INTERLATA RELIEF UNDER SECTION 271(c)(1)(A) .....	9
II. SWBT HAS OPENED LOCAL MARKETS IRREVERSIBLY .....	12
A. Southwestern Bell Has Established the Most Comprehensive Performance Monitoring, Performance Reporting, and Performance Payments Program in the Industry .....	12
B. SWBT Offers CLECs the Widest, Best, and Most Proven Choice of OSS Interfaces in the Industry .....	22
C. SWBT Exceeds the 1996 Act's Requirements in Offering CLECs Access to Pre-Combined Network Elements .....	35
D. SWBT Provides CLECs Nondiscriminatory Access to Unbundled Loops for Their Advanced Services .....	39
E. There Is No Significant Risk of "Backsliding" Following Southwestern Bell's InterLATA Entry in Texas .....	39
III. SOUTHWESTERN BELL'S ENTRY INTO THE INTERLATA SERVICES MARKET IN TEXAS WILL PROMOTE COMPETITION AND FURTHER THE PUBLIC INTEREST .....	47
A. The Current Long Distance Oligopoly Limits Competition .....	49
B. Southwestern Bell's Entry into the InterLATA Market in Texas Will Intensify Competition and Benefit Consumers .....	52
1. Evidence of Competition Where LECs Have Been Allowed To Offer Long Distance .....	52
2. Southwestern Bell Is Suited To Break Up the Interexchange Oligopoly in Texas .....	53
3. Additional Public Benefits .....	55

C.	Southwestern Bell's Entry into the InterLATA Market, Subject to Extensive Statutory and Regulatory Safeguards, Presents No Risk to Competition .....	55
1.	Regulation and Practical Constraints Make "Leveraging" Strategies Impossible To Accomplish .....	55
2.	Actual Experience with LEC Participation in Adjacent Markets Disproves Theories about Anticompetitive Potential .....	61
D.	The Effect of Southwestern Bell's Entry on Local Competition.....	62
IV.	SOUTHWESTERN BELL WILL PROVIDE INTERLATA SERVICES IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 272 .....	62
V.	SOUTHWESTERN BELL'S TEXAS PUC-APPROVED AGREEMENTS SATISFY ALL REQUIREMENTS OF THE COMPETITIVE CHECKLIST .....	70
A.	Checklist Item (i): Interconnection .....	72
1.	Methods of Interconnection .....	73
2.	Interconnection Trunking.....	78
3.	Pricing.....	80
B.	Checklist Item (ii): Access to Network Elements – OSS .....	81
1.	Pre-Ordering .....	81
2.	Ordering and Provisioning.....	84
3.	Maintenance and Repair .....	89
4.	Billing .....	91
C.	Checklist Item (iii): Poles, Ducts, Conduits, and Rights-of-Way .....	92
D.	Checklist Item (iv): Unbundled Local Loops .....	94
E.	Checklist Item (v): Unbundled Local Transport.....	100
F.	Checklist Item (vi): Unbundled Local Switching .....	103
G.	Checklist Item (vii): Nondiscriminatory Access to 911, E911, Directory Assistance, and Operator Call Completion Services .....	105

H.	Checklist Item (viii): White Pages Directory Listings.....	110
I.	Checklist Item (ix): Nondiscriminatory Access to Telephone Numbers.....	111
J.	Checklist Item (x): Nondiscriminatory Access to Databases and Associated Signaling Necessary for Call Routing and Completion .....	112
K.	Checklist Item (xi): Number Portability .....	115
L.	Checklist Item (xii): Local Dialing Parity .....	118
M.	Checklist Item (xiii): Reciprocal Compensation for the Exchange of Local Traffic.....	118
N.	Checklist Item (xiv): Resale.....	120
CONCLUSION.....		122
ATTACHMENT 1 (SWBT's Checklist Provisioning in Texas)		
ATTACHMENT 2 (Comparison of Texas and New York § 271 Applications)		
ATTACHMENT 3 (Certifications and Verifications)		
ATTACHMENT 4 (Required Statements)		

## **APPENDICES**

### **Appendix A: Supporting Affidavits**

#### **Part A-1: Local Competition and Track A Compliance**

##### **Tab 1: John S. Habeeb**

#### **Part A-2: Competitive Checklist – Network Operations**

##### **Tab 1: William T. Adair (Checklist Item (ix))**

##### **Tab 2: Carol Chapman (Checklist Item (iv))**

##### **Tab 3: William C. Deere (Checklist Items (i), (ii), (iv), (v), (vi), (vii), (x), (xi), (xii), Other Network Related Issues)**

##### **Tab 4: James A. Hearst (Checklist Item (iii))**

##### **Tab 5: Gary A. Fleming (Checklist Item (xi))**

##### **Tab 6: Jan D. Rogers (Checklist Items (vi), (vii), (viii), (x))**

#### **Part A-3: Competitive Checklist – Regulatory Compliance**

##### **Tab 1: Michael C. Auinbauh (Checklist Items (i), (ii), (iv), (v), (vi), (xiii), (xiv))**

##### **Tab 2: James B. Shelley (Texas PUC Proceedings)**

##### **Tab 3: Barbara A. Smith (Cost Studies)**

#### **Part A-4: Operations Support Systems and Wholesale Organizations**

##### **Tab 1: Elizabeth A. Ham (Nondiscriminatory Access to Electronic OSS)**

##### **Tab 2: Jan Brainard (Wholesale Systems)**

##### **Tab 3: Candy R. Conway (Local Operations Center, Local Services Center)**

##### **Tab 4: John A. Locus (Billing)**

#### **Part A-5: Performance Monitoring**

##### **Tab 1: William R. Dysart**

#### **Part A-6: Public Interest**

##### **Tab 1: Kenneth Gordon (Consumer Benefits of InterLATA Entry)**

##### **Tab 2: Jon E. Hockenyos & Brian P. O'Connor (Economic Benefits of SWBT's InterLATA Entry in Texas)**

##### **Tab 3: Alfred E. Kahn & Timothy J. Tardiff (InterLATA Competition)**

##### **Tab 4: Sharon Murray (InterLATA and IntraLATA Competition in Connecticut)**

##### **Tab 5: Michael J. Raimondi (Economic Benefits of SWBT's InterLATA Entry in Texas)**

Tab 6: Richard L. Schmalensee & Paul S. Brandon (InterLATA Competition,  
Consumer Benefits of InterLATA Entry)

Part A-7      Section 272 Compliance

Tab 1: Kathleen Larkin (Accounting Safeguards Compliance)

Tab 2: Kathleen M. Rehmer (SWBT Section 272 Compliance)

Tab 3: Tom Weckel (Separate Affiliate Compliance)

Tab 4: Patrick J. Earley (Ameritech Affiliates' Section 272 Compliance)

Tab 5: John J. Muhs (Ameritech Affiliates' Section 272 Compliance)

Tab 6: Richard E. Shutter (Ameritech Affiliates' Section 272 Compliance)

Appendix B: Interconnection Agreements

Appendix C: Record of Texas PUC Project 16251  
(Section 271 Proceeding)

Appendix C-1: Transcripts and Exhibits (Not Within Official Record of the Texas PUC)

Appendix D: Record of Texas PUC Project No. 20000  
(OSS Proceeding)

Appendix E: Record of Texas PUC Project 20400  
(Change Management Proceeding)

Appendix F: Mega-Arbitration Proceedings

Appendix G: SWBT Accessible Letters

Appendix H: Miscellaneous Supporting Materials